

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

The Lake County management's discussion and analysis provides an overview and analysis of the financial activities for the fiscal year ended November 30, 2008. Because the management's discussion and analysis is designed to focus on the financial performance of fiscal 2008 activities, please read it in conjunction with the transmittal letter and the financial statements that begin on page 1.

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### FINANCIAL HIGHLIGHTS

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- Total government assets exceeded liabilities by \$1,266,846,981 including \$899,267,258 invested in capital assets net of related debt, \$124,055,003 in restricted net assets and \$243,524,720 in unrestricted net assets.
- Total fund balance for governmental funds was \$370,011,320 including \$63,504,343 in funds reserved and \$118,020,581 in designated balances.
- The county's enterprise funds had total operating revenue of \$38,779,557 and total operating expenses of \$37,864,852 including \$6,429,040 in depreciation expense.
- The county's governmental activities major tax revenues consisted of \$189,026,884 in property tax distributions and \$44,426,469 in sales tax revenues.

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### USING THIS ANNUAL REPORT

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This discussion and analysis is intended to serve as an introduction to the county's basic financial statements. There are three parts to the basic financial statements - the government-wide financial statements, fund financial statements and the notes to the financial statements. In addition to the financial statements this report also contains other supplementary and statistical information.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The county's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the county's overall financial status. Financial reporting at this level uses a perspective similar to the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements provide information on the county as a whole. The Statement of Net Assets reports the assets and liabilities of the county with the difference reported as the net assets. This statement combines and consolidates governmental funds' current financial resources (short-term resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus. The Statement of Activities is focused on both the gross and net cost of various activities (including governmental and business-type) that are supported by the government's general taxes and other resources. An important purpose of the design of the statement of activities is to show the financial reliance of the county's distinct activities or functions on revenues provided by the county's taxpayers. All current year revenue and expenses are included regardless of when cash is received or disbursed.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### USING THIS ANNUAL REPORT (cont.)

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#### GOVERNMENT-WIDE FINANCIAL STATEMENTS (cont.)

The Statement of Net Assets and the Statement of Activities divides the county into two kinds of activities:

- **Governmental activities** – Most of the county's basic services are reported here including administration, the Sheriff's office and corrections, the Courts and related offices, transportation, health services and forest preserve culture and recreation. Property taxes, fees and fines, charges for services, and state and federal revenue sharing and grants support most of these activities.
- **Business-type activities** – The business-type activities of the county includes both water and sewer and culture and recreation. The county charges fees to customers for these services to cover the costs incurred. Normally enterprise funds do not require taxpayer support outside of the fee for service. The Public Works fund does receive special service area property tax to pay debt for sanitary sewer for the Northeast Facilities Planning Area Old Mill Creek.

The county has two component units that, according to Generally Accepted Accounting Principles (GAAP), also become part of the Statement of Net Assets and Statement of Activities. These two entities are the Lake County Forest Preserve District (LCFP) and the Lake County Emergency Telephone System Board (ETSB). The LCFP has the same board members as the county. The ETSB is considered a component unit because the county board appoints the board, approves all contractual agreements and issues all debt.

#### FUND FINANCIAL STATEMENTS

The fund financial statements provide reporting in a more detail listing than the government-wide funds. A fund is an accounting method of segregating resources that are designated for a specific purpose. Lake County, like all local governments, uses fund accounting to demonstrate compliance with financial and legal requirements. The county's funds can be divided into two categories – governmental funds and proprietary funds.

**Governmental funds** are reported in the fund financial statements and essentially account for the same functions reported as governmental activities in the government-wide financial statements. Fund statements provide a distinctive view of the county's governmental funds. These statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources in the near term.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may have a better understanding of the long-term impact of near-term financing decisions.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### USING THIS ANNUAL REPORT (cont.)

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#### FUND FINANCIAL STATEMENTS (cont.)

Lake County has 61 individual governmental funds including 15 blended component unit funds described as follows:

- 13 required for tax levy purposes (including two major funds)
- 13 required by state statute to collect special fees.
- Two federal grant programs
- Eight debt service funds
- Three special service areas
- Five capital project funds
- One each designated by court order, to collect a special-purpose tax and record contributions
- 14 Forest Preserve District funds (including one major fund)

**Budgetary comparison** statements are included in the required supplementary information for the three major funds, the General Fund, Health Department Fund and Forest Preserve Land Acquisition Fund. The general fund is always a major fund. The determination of the other major funds depends on formulas of the percentage of the individual fund in comparison to all the other funds. Using the required analysis, the Health Department and the Forest Preserve Land Acquisition Funds are also considered major funds in 2008. This formula is recalculated every year. Budget comparisons of the non-major funds are contained in other supplementary information.

**Proprietary funds.** Lake County maintains two different types of proprietary funds. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. Lake County has three enterprise funds, the Public Works Fund that provides water and sewerage services to various communities within the county, and two Forest Preserve District funds. Business-type activities are intended to recover all or a significant portion of its operating cost and required contribution to reserve accounts through user fees and charges. Internal service funds are an accounting device used to accumulate and allocate costs internally among the county's various functions. Lake County has four internal service funds, Health Life and Dental and three Forest Preserve District funds. The activity in the Health Life Dental Fund has been allocated within the governmental activities in the government-wide financial statements. The activity in the Forest Preserve funds has been allocated within the culture and recreation activity in the government-wide financial statements.

Proprietary funds provide a similar type of information consistent with the focus of the government-wide financial statements, only in more detail. In addition to the statement of net assets, the proprietary funds include the statement of revenue, expenses and changes in fund net assets and the statement of cash flows. The Public Works Fund and the Forest Preserve funds are combined in the proprietary fund statements, and Health Life and Dental Fund and the Forest Preserve funds are combined into a single presentation of Internal Service Funds. Individual data is available in the combining statements.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the county. The accounting for fiduciary funds is much like that used for proprietary funds

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### USING THIS ANNUAL REPORT (cont.)

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#### FUND FINANCIAL STATEMENTS (cont.)

**Notes to the financial statements.** The accompanying notes to the financial statements provide information essential to the full understanding of the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the county's pension obligations and budget comparisons. Other supplementary information includes expense and revenue, and balance sheet detail by fund.

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### LAKE COUNTY FINANCIAL ANALYSIS

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Graphic presentations of selected data from the summary tables follow to assist the analysis of the county's activities.

#### LAKE COUNTY'S NET ASSETS

(dollars are in thousands)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	2008	2007	2008	2007	2008	2007
			<i>(As restated)</i>		<i>(As restated)</i>	
<b><u>Assets</u></b>						
Current and other assets	\$ 593,406	\$ 542,933	\$ 82,302	\$ 81,746	\$ 675,708	\$ 624,679
Capital assets, net	898,175	822,617	257,589	256,053	1,155,764	1,078,670
Total assets	<u>1,491,581</u>	<u>1,365,550</u>	<u>339,891</u>	<u>337,799</u>	<u>1,831,472</u>	<u>1,703,349</u>
<b><u>Liabilities</u></b>						
Current and other liabilities	206,727	194,876	4,686	5,615	211,413	200,491
Non-current liabilities	299,840	243,201	53,372	56,848	353,212	300,049
Total liabilities	<u>506,567</u>	<u>438,077</u>	<u>58,058</u>	<u>62,463</u>	<u>564,625</u>	<u>500,540</u>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of related debt	672,255	632,116	227,012	221,322	899,267	853,438
Restricted	90,571	73,944	33,484	34,034	124,055	107,978
Unrestricted	222,188	221,413	21,337	19,980	243,525	241,393
Total net assets	<u>\$ 985,014</u>	<u>\$ 927,473</u>	<u>\$ 281,833</u>	<u>\$ 275,336</u>	<u>\$ 1,266,847</u>	<u>\$ 1,202,809</u>

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### LAKE COUNTY FINANCIAL ANALYSIS (cont.)

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**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Lake County's assets exceeded liabilities by \$1,266,846,981 at the end of fiscal 2008. Of this, \$899,267,258 is investment in capital assets net of related debt. Investment in capital assets net of related debt increased by \$45,829,289 from 2007 to 2008. This increase is the result of the Forest Preserve investing \$49 million in land acquisition and development as well as net increases in the county's buildings of \$18 million, in the value of water and sewer facilities of \$8 million and in equipment of \$5 million. These increases were offset by net decreases in the depreciated value of roads by \$5 million and a \$30 million increase in related debt by the county and the Forest Preserve. Another piece of net assets is unrestricted net assets. The \$222,188,077 in governmental unrestricted net assets can be used to finance day-to-day operations. These are considered the county's reserves. This increased by less than a \$1 million from 2007 to 2008 because the county has begun spending balances on capital projects that were previously set aside for these specific projects. The restricted assets are those funds that can only be used for special purposes, such as funds held to comply with bond ordinances, state statutes and donor requirements. The county's restricted net assets were \$124 million at year-end, an increase of \$16 million over 2007. This change is accounted in the governmental funds and is the result of a new fund in 2008 whose revenue is from a new ¼% sales tax. The \$18 million balance in this fund at the end of the year can only be used for transportation and public safety.

The Lake County governmental entities maintain a good current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 2.9 to 1, a small increase from the 2.8 ratio of 2007. For business-type activities the ratio is 17.6 to 1, an increase over the 2007 ratio of 14.6 to 1. This increase is a result of a \$1 million increase in accounts receivable by Public Works accompanied by a decrease of \$1.3 million in both accounts and installment certificates payable held by Public Works and the Forest Preserve, respectively. As a whole the county's current ratio is 3.2 to 1, a small increase from the 2007 ratio of 3.1 to 1. These ratios are favorable when compared to other local governments.

#### **Business-type Net Assets**

The business type net assets were \$281,832,660. This includes \$33.5 million in restricted assets. This restriction represents resources that are subject to bond ordinance covenants limiting how these funds can be spent. Included in this total are net assets that are restricted for the future payment of debt and construction projects. The restricted net assets decreased from 2007 by \$550,120 because of a decrease in the amount restricted for depreciation and improvements. There was also an investment in capital assets in the amount of \$227,012,107, an increase of \$5.7 million over 2007 because of building improvements at water and sewer facilities. The unrestricted net assets total \$21,336,643 and can be used to pay for day-to-day operations for the individual business activity. The increase of \$1.5 million was the result of an increase in water and sewer rates by Public Works.

#### **Changes in Net Assets**

Lake County's combined change in net assets was \$64,038,214. This increase is a combination of the change in capital assets net of related debt of \$45 million, the change in governmental restricted net assets of \$16 million and \$2.2 million change in business net assets. The change in net assets for governmental activities was \$57,541,344 and for business-type activities it was \$6,496,870. The table on the next page provides the revenue and expenses for the governmental activities and the business-type activities.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

### LAKE COUNTY FINANCIAL ANALYSIS (cont.)

#### LAKE COUNTY CHANGES IN NET ASSETS (dollars are in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<i>Program revenues</i>						
<i>Charges for services</i>	\$ 103,378	\$ 101,681	\$ 38,780	\$ 34,969	\$ 142,158	\$ 136,650
<i>Operating grants and contributions</i>	42,040	39,517	73	-	42,113	39,517
<i>Capital grants and contributions</i>	11,598	13,066	3,966	4,833	15,564	17,899
<i>General revenues:</i>						
<i>Property tax</i>	189,027	177,086	873	873	189,900	177,959
<i>Sales tax</i>	44,426	27,734	-	-	44,426	27,734
<i>Other shared revenue</i>	11,540	12,318	-	-	11,540	12,318
<i>Investment earnings</i>	16,144	20,759	3,260	3,731	19,404	24,490
<i>Miscellaneous</i>	1,396	-	-	-	1,396	-
<i>Gain on disposal of assets</i>	215	379	19	60	234	439
<i>Transfers</i>	(69)	(228)	69	228	-	-
<i>Total revenues</i>	419,695	392,312	47,040	44,694	466,735	437,006
<b>Expenses:</b>						
<i>General government</i>	56,634	54,794	-	-	56,634	54,794
<i>Law and judicial</i>	107,222	96,896	-	-	107,222	96,896
<i>Health and human services</i>	99,605	94,239	-	-	99,605	94,239
<i>Transportation</i>	48,628	32,938	-	-	48,628	32,938
<i>Planning and economic development</i>	13,544	12,050	-	-	13,544	12,050
<i>Culture, recreation, education</i>	26,374	24,970	-	-	26,374	24,970
<i>Interest on long-term debt</i>	10,148	9,663	-	-	10,148	9,663
<i>Water and sewer</i>	-	-	36,085	36,943	36,085	36,943
<i>Golf courses</i>	-	-	4,166	4,278	4,166	4,278
<i>Fox River Recreation Area</i>	-	-	292	280	292	280
<i>Total expenses</i>	362,155	325,550	40,543	41,501	402,698	367,051
<i>Increase in net assets</i>	57,540	66,762	6,497	3,193	64,037	69,955
<i>Beginning net assets</i>	927,473	860,711	275,336	272,143	1,202,809	1,132,854
<i>Ending net assets</i>	\$ 985,013	\$ 927,473	\$ 281,833	\$ 275,336	\$ 1,266,846	\$ 1,202,809

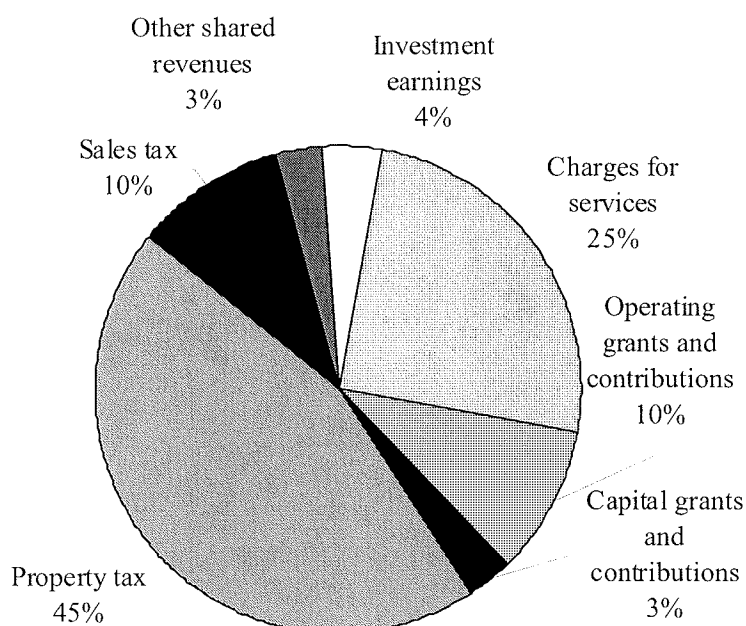
# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

### GOVERNMENTAL ACTIVITIES

**Governmental revenues.** The county had total program revenues of \$157,016,212 and general revenues of \$262,679,736. As graphically portrayed below, the county receives 55% of its income from various tax revenues. Property taxes are considered the most stable tax and account for 81% of all taxes. The county consistently collects 99+% of its extended levy and in 2008 that number was 99.7% (the last ten years of the levy and collections can be found in the Statistical Section on page 159). The county's tax base, estimated annual valuation (EAV), continues to grow although new construction and increased property values have slowed since 2007. The county's actual 2008 tax rate of .444 per \$100 is the lowest it has been in over 20 years (the last ten years can be found in the Statistical Section on page 156).

### GOVERNMENTAL REVENUES



The sales tax collections as demonstrated in the changes in net assets are not comparable from 2007 to 2008 because there is a new quarter percent sales tax that generated \$17,884,886 in 2008. This sales tax can only be used for transportation and public safety. Due to economic conditions, receipts from general sales tax in 2008 have actually decreased from 2007 receipts by 4.3%. Charges for services include fines, forfeitures, licenses, fees and program specific income from other governments and represent 25% of all revenue. The charges for services increased less than 1.5% or \$1,697,021 from 2007 to 2008. General government and planning charges went down slightly and law and judicial and recreation went up slightly. Health and Human Services charges for services went down by \$3 million because the revenues went down in Winchester House by \$1.3 million due to decreased census and went down in Stormwater by \$1.6 million in revenue from other governments. Transportation increased by \$4.3 million because of increases in revenue from other governments. Operating grants increased by \$2,523,415 in Health and Human Services function because the Health Department fund had an increase in grants. Capital grants decreased by \$1,468,138 because the Forest Preserve's project in the culture, recreation, education function was completed and the county clerk's voting accessibility grant in general government decreased.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### GOVERNMENTAL ACTIVITIES (cont.)

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One source of revenue that is not controllable by the county is interest from investments. Investment income accounts for 4% of the revenue in the governmental funds. These revenues were \$16,143,735, a 22% decrease from 2007 due to a decline in interest rates.

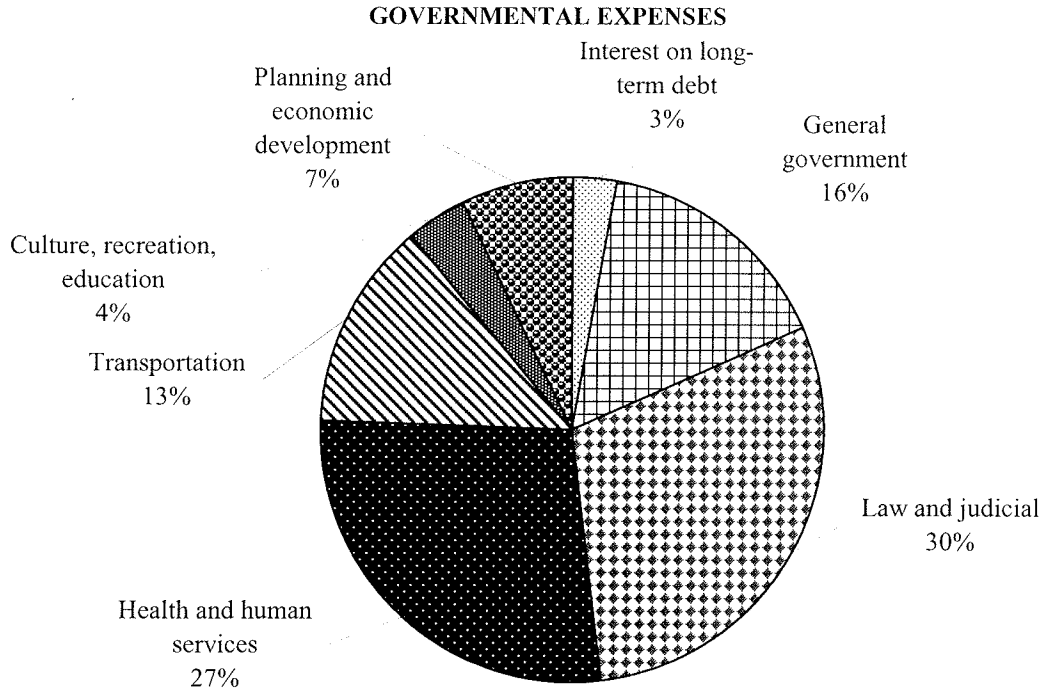
**Governmental Functional Expenses.** The county had a total of \$362,154,604 in governmental expenses in fiscal 2008. This is an increase from 2007 of \$36 million. There was an increase in long term liability expense of \$10 million recorded on the Statement of Activities that affected all functions. The county was required by the generally accepted accounting principals to record the implicit rate subsidy it has incurred on other post employment benefits (OPEB). The amount of the annual required contribution expensed in 2008 was \$3,328,588. For more information see Note V (D) on page 53 in the notes to the financial statements. In addition to OPEB, the long term liability in the self insurance fund increased expenses by \$2,878,149 in 2008 after decreasing it by \$3,860,039 in 2007. One of the highest increases in expenses in both transportation and law and judicial functions was caused by capital asset charges. The law and judicial function has had many capital projects completed over the past two years and are now being depreciated resulting in an increase in expenses in excess of \$3 million. For the transportation function the net increase in capital asset expenses is almost \$10 million. The third piece that accounts for the expense increase in the law and judicial function is a \$2.7 million increase in salary expense. Law and judicial includes the sheriff and jail, the states attorney, the circuit clerk, court administration, and the juvenile detention center. The \$4,681,511 increase in the health and human services function which includes the expenses of the Health Department, Veterans Affairs, Workforce Development, Stormwater Management and the Tuberculosis Clinic can be explained by their share of the risk and OPEB expenses and a \$2.6 million increase in salaries in the Health Department. There was not a significant change in any of the individual functions of General government, planning and economic development or culture, recreation and education.



# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

### GOVERNMENTAL ACTIVITIES (cont.)



### BUSINESS-TYPE ACTIVITIES

Business type activities increased Lake County's net assets by \$6.5 million, accounting for 10% of the growth. This includes an increase in the Public Works fund of \$5.7 million. Operating revenues from the Public Works Department increased from 2007 by \$3.8 million because of an increase in water and sewer rates and operating expenses decreased by \$726,224. The remaining increase was from the Forest Preserve's enterprise funds. Public Works issues a separate financial report required by bond agreements. A copy of this report is available from Public Works.

### GENERAL FUND BUDGETARY HIGHLIGHTS

	<i>Original Budget</i>	<i>Total Budget Amendments</i>	<i>Final Budget</i>	<i>Actual</i>
<b>Expenditures and Other Financing Uses</b>				
	<u>\$ 154,197,751</u>	<u>\$ 54,938,549</u>	<u>\$ 209,136,300</u>	<u>\$ 159,781,949</u>
<b>Revenue and Other Financing Sources</b>				
	<u>\$ 145,892,702</u>	<u>\$ 9,025,444</u>	<u>\$ 154,918,146</u>	<u>\$ 151,888,192</u>

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

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Lake County budgets according to Illinois State Statutes. This requires the adoption of an annual budget appropriation and any changes to that budget require emergency appropriations. All budget appropriations expire at the end of the fiscal year. The county must then reappropriate the budget appropriations for projects that were budgeted and not completed in the previous year.

**General Fund.** The county adopted its 2008 budget on November 13, 2007. The general fund budget was adopted at \$154,197,751 including other financing uses. The budget was amended throughout the year at monthly board meetings resulting in a final budget of \$209,136,300 including other financing uses. In 2008 there was one set of budget amendments, called emergency appropriations, that accounts for the majority of the change. These emergency appropriations were for projects that were not completed in 2007 and had to be carried into 2008. According to Illinois State Statutes all of the county appropriations end with the fiscal year. Also according to Illinois Statutes the county cannot maintain a separate capital fund. This necessitates both the budgeting of all capital in the general fund and an emergency appropriation of budget dollars for projects that span the fiscal years. In 2008 the budget carryover amount in the general fund was \$53,569,519. These carryovers consisted of:

- \$32,098,769 for the major building projects of land management permitting facility, the east branch court, the remodeling of the public defender's and probation services offices and county administration building that were not completed in 2007,
- \$13,765,226 for smaller construction, maintenance projects in various county buildings and equipment purchases,
- \$6,313,092 for software and electronic enhancement needs, and
- \$1,392,432 was for various unspent grant funds and funds set aside for affordable housing, brownfields and flood plain buy-out.

The only other significant emergency appropriation in 2008 was for the Lake County Sheriff. The Sheriff received a \$1 million grant from the Illinois Emergency Management Association and that required an increase in budget to allow the Sheriff to purchase radio equipment

The county spent \$159,781,949 or 76% of its 2008 amended budget of \$209,136,300. The following accounts for the \$49,354,351 of unspent budget:

- As was done from 2007 to 2008 the county budgeted unspent 2008 project appropriations of \$38,469,854 in 2009.
- The salaries and related benefits were under budget by \$4,801,235 primarily due to vacancies in the Sheriff's Office and the department of Information Technology.
- Each year the county budgets for contingencies. In 2008 \$1,293,678 of contingency money was unspent.
- The county is required to budget funds in the general fund to reimburse Department of Public Aid for part of the federal funds received for nursing home care. Because of lower census in the nursing home, \$1,643,047 of funds budgeted were not needed.
- The sheriff had remaining budget of \$361,697 for food and provisions and uniforms.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### GOVERNMENTAL ACTIVITIES (cont.)

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Remaining unspent budget amounts consist of small amounts across the 17 departments that are located in the general fund.

The general fund had revenues and other financing sources of \$151,888,192. This amount is \$3,029,954 under the amended budget. Total receipts included \$27,456,890 of interfund transfers. These interfund revenue transfers were \$3,350,989 under budget. The budget shortfall in this line item is primarily \$1,233,561 of transfers that were not received from the IMRF and FICA property tax funds, and \$1,643,046 not received from the Winchester House Fund. Both of these budget shortfalls were offset by an accompanying decrease in expenses.

Other significant revenues that were under budget include:

- Various sales taxes were under by \$1,065,014
- Recorder of Deeds fees were under budget by \$721,053
- Building permit fees and charges to municipalities for inspections were under budget by \$482,628

Revenues that were over-budget consisted of:

- Inheritance taxes were over by \$1,873,811
- Circuit Clerk docket and related court fees were over by \$969,553
- Treasurer's penalty costs and interest on property tax collections were over by \$358,057
- State income tax distribution was over by \$348,129

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### CAPITAL ASSETS AND DEBT ADMINISTRATION

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**Capital Assets.** The governmental funds and business-type activities of the county had total capital assets at the end of the year of \$1,619 million with a fully depreciated value of \$1,156 million. This includes land and improvements at a value of \$502 million, roads and bridges with a depreciated value of \$234 million and buildings net of depreciation at \$124 million. Business-type activities alone had a depreciated value of \$258 million. The chart below summarizes capital asset activity. For more detailed information on capital assets please refer to Note IV (F) on page 30 in the Notes to the Financial Statements.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

### CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

Lake County, Illinois  
CAPITAL ASSETS  
(Net of Depreciation)  
(dollars are in thousands)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 452,572	\$ 400,248	\$ 37,037	\$ 37,037	\$ 489,609	\$ 437,285
Land and Course Improvements			12,127	12,127	12,127	12,127
Museum artifacts and collectibles	5,699	5,679			5,699	5,679
Roads and Bridges	234,366	233,976			234,366	233,976
Buildings and system	123,804	117,115	52,294	54,028	176,098	171,143
Non-building improvements			144,661	138,944	144,661	138,944
Vehicles, and equipment	26,021	19,650	2,581	2,730	28,602	22,380
Construction in Progress	55,713	45,949	8,890	11,187	64,603	57,136
<b>Total</b>	<b>\$ 898,175</b>	<b>\$ 822,617</b>	<b>\$ 257,590</b>	<b>\$ 256,053</b>	<b>\$ 1,155,765</b>	<b>\$ 1,078,670</b>

In 2008 the county added \$99 million in governmental assets before depreciation and \$10 million net increase in construction in progress for a total of \$109 million increase. The deletions consisted of disposals of equipment and vehicles and road replacement. Capital assets increased by \$77 million net of depreciation.

The major projects in the governmental funds of the \$109 million in additions (including work in progress) consisted of:

- \$52 million in land acquisitions including \$49 million for Forest Preserve acquisitions and \$3 million for road right of ways.
- \$21 million in major road projects added, including the work in progress and completion of reconstruction, realignment and major resurfacing projects.
- Major projects included in the \$9.4 million in building projects (before depreciation)
  - \$4.1 million for the a new branch court
  - \$1.6 million for jail improvements
  - \$1.5 for improvements to the county court complex
  - \$509,000 for the Lake County Passage addition
  - \$431,000 for remodeling of the Health Department Belvedere Health Center
  - \$416,000 Hulse Detention Center improvements

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

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- \$7.5 million in equipment purchases include
  - \$3 million for Lake County Passage equipment
  - \$2.8 million for software purchase and implementation costs including \$1 million for the Integrated Justice Project and \$1 million for the electronic medical records project
  - \$775,000 for election equipment
  - \$500,000 for equipment and furniture for various departments.
- The major projects in construction in process are \$4.3 million for the new health department administration building and health center and \$4.8 million for the central permitting facility and consolidated environmental lab.
- The Public Works Department invested \$9 million for property, plant and equipment, primarily for continuing expansions of treatment plants.

The following chart illustrates the county's capitalization policy in governmental funds:

Asset Category	Threshold
Land	\$ 50,000
Land improvements	\$100,000
Buildings/Building Improvements	\$100,000
Machinery/Equip/Furnishings	\$ 25,000
Vehicles	\$ 15,000
Roads and Bridges	\$200,000

**Long-Term Debt.** As evidenced by the chart below, at the end of 2008 Lake County had outstanding debt in the governmental funds of \$263 million. This is a \$50 million increase over 2007. In 2008 the county issued \$35 million in debt for various construction projects. The Forest Preserve also issued \$35 million in debt for land acquisition. Lake County and the Forest Preserve District have outstanding general obligation bonds of \$40 million and \$220 million respectively. The county's bonds are paid from revenues in the general fund and the Forest Preserve's bonds are paid by the property tax levy. The county also has special service area debt of \$3.7 million that is paid from property tax revenue levied against the benefiting geographic properties. The county issued \$3 million debt after establishing Special Service Area 13 to provide new water access to Spencer Highlands. For more detailed information on debt please refer to Note IV (F) on page 33 in the Notes to the Financial Statements.

As of November 30, 2008, the enterprise funds had \$52 million in outstanding debt. Public Works has total revenue bond debt of \$52 million including \$17,170,000 of crossover refunding bonds.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

### CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

**Lake County, Illinois**  
**Outstanding Debt**  
**General Obligation and Revenue Bonds**  
(dollars are in thousands)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 262,718	\$ 213,019	\$	\$	\$ 262,718	\$ 213,019
Debt certificates		265				265
Installment certificates				555		555
Revenue bonds			52,232	55,142	52,232	55,142
<b>Total</b>	<b>\$ 262,718</b>	<b>\$ 213,284</b>	<b>\$ 52,232</b>	<b>\$ 55,697</b>	<b>\$ 314,950</b>	<b>\$ 268,981</b>

The county has a credit rating of AAA from Standard and Poor's and a credit rating of Aaa from Moody's Investment Services. These are the highest ratings available to governments and only about 40 U.S. counties enjoy both of these ratings. The county has held both of these ratings since 2001.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET HIGHLIGHTS

- The county's population has remained stable, increasing from 725,913 in 2007 to 735,744 in 2008. Lake County is the third largest and second wealthiest county in Illinois.
- The most recent unemployment rate information is for February 2009 and is not seasonally adjusted. The rate for the county is 9.6%, higher than the State of Illinois rate of 9.3% and the U.S. rate of 8.9%.
- The county had continuing economic growth in its real property through 2008. The equalized assessed valuation (EAV) in 2008 is \$30,486,373,229, an increase of 3.8% over 2007 EAV. The last 10 years of EAV growth can be found in the Statistical Section.
- As a result of the Property Tax Extension Limitation Act, Lake County is statutorily limited to a property tax increase on existing EAV of 5% or CPI, whichever is lower, plus EAV from any new construction. The tax rate increase for 2009 is estimated to be about 4.1% on existing properties. The total countywide property tax levied in 2009 is \$138,103,271 as extended.
- The county adopted a status quo budget for departmental expenses other than salaries and select contractually mandated increases. Salary increases for non-union employees were an average of 3.6% depending on an individual's performance evaluation. The overall increase of the budget across all property tax funds was 4.6%.

# LAKE COUNTY, ILLINOIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) November 30, 2008

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET HIGHLIGHTS (cont.)**

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- The county recognizes that, similar to the rest of the country, it is experiencing challenging economic times. The county was able to pass a balanced budget while at the same time reducing the budget on certain revenues such as general sales taxes, recorder of deeds fees and interest that are expected to decline in 2009.
- In April 2009, the Illinois Municipal Retirement Fund (IMRF) provided the county with its schedule of funding progress as of December 31, 2008. Due to the significant losses in the market in 2008 the county's actuarial value of assets decreased from a December 31, 2007 value of \$311,454,612 to \$271,037,907. As of December 31, 2008, the county unfunded actuarial liability (UAL) is \$63,046,843 and funded ratio is 81.13%. To bring the funding back to within adopted guidelines IMRF notified the county that the county's employer contribution rate would increase significantly. The county has an option of either 10.96% or a phase in rate of 9.45% for calendar year 2010. In 2009 the rate is 8.59%. Taking the lower rate will cost the county more over the long term. If this decision had been for 2009, the budget would have increased \$4.8 million vs. \$1.7 million. For further description of the County's retirement plan see Note IV (A) on page 46 and the Schedule of Funding Progress – Illinois Municipal Retirement Fund on page 62.

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### **REQUESTS FOR INFORMATION**

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This financial report is designed to provide the citizens, taxpayers, customers and investors with the general overview of the county's finances and to show the county's commitment to public accountability. This report is available on the county's website if you have any questions about this report or wish to request any additional information please contact the Controller's office, 18 North County Street, 9<sup>th</sup> floor, Waukegan, Illinois 60085.